

Chapter 120, P.L. 2001

(Approved June 26, 2001)

ASSEMBLY, No. 1342

STATE OF NEW JERSEY

209th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2000 SESSION

Sponsored by:

Assemblyman ALAN M. AUGUSTINE

District 22 (Middlesex, Morris, Somerset and Union)

SYNOPSIS

Adds pop-up survivor option to TPAF and PERS retirement allowance options.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

AN ACT concerning retirement allowance options in the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System of New Jersey

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and amending N.J.S.18A:66-47 and P.L.1954, c.84.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. N.J.S.18A:66-47 is amended to read as follows:

18A:66-47. At the time of [his] retirement a member shall receive [his] benefits in a retirement allowance payable throughout life, or [he] the member may on retirement elect to receive the actuarial equivalent of [his] the member's retirement allowance, in a lesser retirement allowance payable throughout life, with the provision that:

Option 1. If [he] the member dies before [he] the member has received in payments the present value of [his] the retirement allowance as it was at the time of [his] retirement, the balance shall be paid to [his] a legal representative or to such person as [he] the member shall nominate by written designation acknowledged and filed with the retirement system, either in lump sum or by equal payments over a period of years at the option of the payee. If the member shall have designated a natural person as a payee, said payee may elect to receive such payments in the form of a life annuity.

Option 2. Upon [his] the member's death, [his] the member's retirement allowance shall be continued throughout the life of and paid to such person as [he] the member shall nominate by written designation duly acknowledged and filed with the retirement system at the time of [his] retirement.

Option 3. Upon [his] the member's death, one-half of [his] the member's retirement allowance shall be continued throughout the life of and paid to such person as [he] the member shall nominate by written designation duly acknowledged and filed with the retirement system at the time of [his] retirement.

Option 4. Some other benefit or benefits shall be paid either to the member or to whomever [he] the member nominates, if such other benefit or benefits, together with the lesser retirement allowance, shall be certified by the actuary

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to be of equivalent actuarial value. In no case, however, shall the lesser retirement allowance be smaller than that provided under Option 2.

Option 5. Some other benefit, which is equivalent to the full amount, three-quarters, one-half or one-quarter of the member's retirement allowance, shall be paid to whomever the member nominates and if that nominee dies before the member, the member's retirement allowance shall increase to the maximum retirement allowance for the member's lifetime, provided that such other benefit together with the member's lesser and maximum retirement allowances shall be certified by the actuary to be of equivalent actuarial value.

If the total amount of benefits paid to a retirant who does not elect to receive [his] benefits in the form of an optional settlement, or to the retirant and the designated beneficiary in the case of a retirant who does so elect, before the death of the retirant or the retirant and the beneficiary is less than the deductions accumulated in the retirant's account at the time of retirement, including regular interest, the balance shall be paid in one lump sum to the retirant's designated beneficiary or estate in the manner provided in N.J.S.18A:66-48.

Except in the case of members who have elected to receive (1) a deferred retirement allowance pursuant to [section] N.J.S.18A:66-36 or (2) early retirement allowances pursuant to [section] N.J.S.18A:66-37 after separation from service pursuant to [section] N.J.S.18A:66-36, if a member dies within 30 days after the date of retirement or the date of board approval, whichever is later, [his] the member's retirement allowance shall not become effective and [he] the member shall be considered an active member at the time of death. However, if the member dies after the date the application for retirement was filed with the system, the retirement will become effective if:

- a. (Deleted by amendment, P.L.1995, c.221);
- b. (Deleted by amendment, P.L.1995, c.221);
- c. The deceased member had designated a beneficiary under an optional settlement provided by this section; and
- d. The surviving beneficiary requests in writing that the board make such

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a selection. Upon formal action by the board approving that request, the request shall become irrevocable.

The board may select an Option 3 settlement, on behalf of the beneficiary of a member who applied for and was eligible for retirement but who died prior to the effective date of the retirement allowance, if all of the above conditions, with the exception of c., are met.

(cf: P.L.1995, c.221, s.1)

2. Section 50 of P.L.1954, c.84 (C.43:15A-50) is amended to read as follows:

50. At the time of [his] retirement, a member shall receive [his] benefits in a retirement allowance payable throughout life, or [he] the member may, on retirement, elect to receive the actuarial equivalent of [his] the member's retirement allowance, in a lesser retirement allowance payable throughout life, with the provision that:

Option 1. If [he] the member dies before [he] the member has received in payments the present value of [his] the retirement allowance as it was at the time of [his] retirement, the balance shall be paid to [his] a legal representative or to such person as [he] the member shall nominate by written designation acknowledged and filed with the retirement system, either in a lump sum or by equal payments over a period of years at the option of the payee. If the member shall have designated a natural person as the payee, said payee may elect to receive such payments in the form of a life annuity.

Option 2. Upon [his] the member's death, [his] the member's retirement allowance shall be continued throughout the life of and paid to such person as [he] the member shall nominate by written designation duly acknowledged and filed with the retirement system at the time of [his] retirement.

Option 3. Upon [his] the member's death, one-half of [his] the member's retirement allowance shall be continued throughout the life of and paid to such person as [he] the member shall nominate by written designation duly acknowledged and filed with the retirement system at the time of [his]

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retirement.

Option 4. Some other benefit or benefits shall be paid either to the member or to whomever ~~[he]~~ the member nominates, if such other benefit or benefits, together with the lesser retirement allowance, shall be certified by the actuary to be of equivalent actuarial value. In no case, however, shall the lesser retirement allowance be smaller than that provided under Option 2.

Option 5. Some other benefit, which is equivalent to the full amount, three-quarters, one-half or one-quarter of the member's retirement allowance, shall be paid to whomever the member nominates and if that nominee dies before the member, the member's retirement allowance shall increase to the maximum retirement allowance for the member's lifetime, provided that such other benefit together with the member's lesser and maximum retirement allowances shall be certified by the actuary to be of equivalent actuarial value.

If the total amount of benefits paid to a retirant who does not elect to receive ~~[his]~~ benefits in the form of an optional settlement, or to the retirant and the designated beneficiary in the case of a retirant who does so elect, before the death of the retirant or the retirant and the beneficiary is less than the deductions accumulated in the retirant's account at the time of retirement, including regular interest, the balance shall be paid in one lump sum to the retirant's designated beneficiary or estate in the manner provided in section 51 of P.L.1954, c.84 (C.43:15A-51).

Except in the case of members who have elected to receive (1) a deferred retirement allowance pursuant to section 38 ~~of P.L.1954, c.84~~ (C.43:15A-38) or (2) early retirement allowances pursuant to subsection b. of section 41 ~~of P.L.1954, c.84~~ (C.43:15A-41) after separation from service pursuant to section 38, if a member dies within 30 days after the date of retirement or the date of board approval, whichever is later, ~~[his]~~ the member's retirement allowance shall not become effective and ~~[he]~~ the member shall be considered an active member at the time of death. However, if the member dies after the date the application for retirement was filed with the system, the retirement will become effective if:

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- a. (Deleted by amendment, P.L.1995, c.221);
- b. (Deleted by amendment, P.L.1995, c.221);
- c. The deceased member had designated a beneficiary under an optional settlement provided by this section; and
- d. The surviving beneficiary requests in writing that the board make such a selection. Upon formal action by the board approving that request, the request shall be irrevocable.

The board may select an Option 3 settlement, on behalf of the beneficiary of a member who applied for and was eligible for retirement but who died prior to the effective date of the retirement allowance, if all of the above conditions, with the exception of c., are met.

(cf: P.L.1995, c.221, s.2)

- 3. This act shall take effect immediately but shall be inoperative until the 30th day after enactment.

STATEMENT

This bill provides an additional option for payment of a retirement allowance to members of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS).

Under current law, at the time of retirement, TPAF and PERS members may choose to receive a maximum retirement allowance providing the highest payment for the retiree's lifetime and no survivor benefit; a reduced retirement allowance based upon an initial reserve which is set aside and reduced each month by the amount of the allowance, with the balance of the reserve, if any, paid to a beneficiary or beneficiaries after the retiree's death (Option 1); a retirement allowance actuarially reduced to provide that same monthly allowance after the retiree's death to a single beneficiary for the remainder of the beneficiary's lifetime (Option 2); a retirement allowance actuarially reduced

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to provide one-half of that allowance after the retiree's death to a single beneficiary for the remainder of the beneficiary's lifetime (Option 3); or a retirement allowance actuarially reduced to provide a fixed survivor's annuity after the retiree's death to a beneficiary or beneficiaries for the remainder of a beneficiary's lifetime (Option 4).

Under Options 2, 3 and 4, if a beneficiary predeceases the retiree, the retiree's retirement allowance remains unchanged, and if the retiree and the beneficiary die before all of a member's pension contributions plus interest are distributed, the remainder will be paid to a contingent beneficiary or the estate in a lump sum.

This bill provides that a TPAF or PERS member may also choose a retirement allowance actuarially reduced to provide to a beneficiary an allowance equivalent to the full amount, three-quarters, one-half or one-quarter of that reduced allowance, but if the beneficiary dies before the retiree, the retiree's allowance will increase to a maximum amount. The total benefit under this "pop-up survivor option" will be calculated and certified by the actuary to be of equivalent actuarial value to the member's maximum retirement allowance payable throughout life.